STATE OF CONNECTICUT
PUBLIC UTILITIES REGULATORY AUTHORITY

Marissa P. Gillett, Chairman
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Energy and Technology Committee — Public Hearing, March 3, 2022

Testimony submitted and presented by: *Marissa P. Gillett, Chairman*
PURA Position: *Support, with amendments*

S.B. 176 – An Act Concerning Shared Clean Energy Facilities

Thank you for the opportunity to present testimony regarding **An Act Concerning Shared Clean Energy Facilities, S.B. 176**. The Public Utilities Regulatory Authority (PURA or the Authority) welcomes the opportunity to offer the following ***supportive testimony***. Based on the current language of **S.B. 176**, the Authority **supports** the bill for the reasons set forth below; although, PURA respectfully recommends several technical amendments, discussed herein, for the committee's consideration.

S.B. 176 offers impactful technical changes to Section 16-244z of the General Statutes of Connecticut (Conn. Gen. Stat.), which will lower existing barriers to the deployment of clean energy facilities in Connecticut while also expanding project eligibility in a way that lowers ratepayer costs, increases value to low-income and other customers, and/or better utilizes existing available project locations.

As context, the three programs authorized pursuant to Conn. Gen. Stat. §16-244z were developed and approved by the Authority through multiple public stakeholder processes between 2018 and 2021.[1] The three programs are: the Residential Renewable Energy Solutions (RRES) program, for residential customers; the Non-Residential Renewable Energy Solutions (NRES) program, for commercial and industrial customers; and, the Shared Clean Energy Facilities (SCEF) program, for community renewable energy projects.

Section 1

Section 1 of S.B. 176 increases the project size cap for eligible low and zero emissions projects from two (2) megawatts (MW) to five (5) MW. Increasing the project cap for eligible projects allows for an increased number of, as well as larger, projects to be eligible for the applicable program; likely resulting in the selection of lower priced projects overall. This is because the change would likely facilitate the introduction of an increased number of projects, which would result in greater competition, and would also allow for larger projects to compete, which could result in lower average bid prices as larger projects typically enjoy lower per unit costs due to economies of scale.

[1] For RRES, see, PURA Docket Nos. 20-07-01 and 21-08-02. For NRES, see, PURA Docket Nos. 20-07-01 and 21-08-03. For SCEF, see, PURA Docket Nos. 19-07-01 and 21-08-04.

Requested Modifications to Section 1

While Section 1 of S.B. 176 raises the project size cap for eligible low and zero emissions, Section 1 does not raise the project size cap for eligible shared clean energy facilities. The same justification for raising the project size cap for the low and zero emissions project cap is applicable to raising the SCEF project cap from four (4) MW to five (5) MW. Accordingly, PURA respectfully requests the **addition** of the following **bolded, underlined** language to align the changes to the project caps across all three programs:

Lines 25 – 32 of S.B. 176:

(C) customers that own or develop new generation projects that are a shared clean energy facility [, as defined in section 16-244x, and subscriptions, as defined in such section, associated with such facility,] consistent with the program requirements developed pursuant to subparagraph (C) of subdivision (1) of this subsection**. For the purposes of this section, "shared clean energy facility" means a Class I renewable energy source, as defined in section 16-1, that (i) is served by an electric distribution company, as defined in section 16-1, (ii) has a nameplate capacity rating of five megawatts or less, and (iii) has at least two financial beneficiaries.** Any project that is eligible pursuant to subparagraph (C) of this subdivision shall not be eligible pursuant to subparagraph (A) or (B) of this subdivision.

Section 2

Section 2 of S.B. 176 increases the requirement for the percentage of SCEF project credits that must benefit low-income customers from ten (10) to twenty (20) percent. Section 2 also increases the percentage of SCEF credits that must benefit the following group of customers from ten (10) to sixty (60) percent: low-income customers, moderate-income customers, and low-income service organizations. The Authority ***supports these changes in the strongest terms possible***. As the committee is likely aware, these changes align well with the work PURA and our stakeholders have undertaken to implement the SCEF program in Docket No. 19-07-01RE01 (see, Decision dated September 15, 2021).

Requested Modifications to Section 2

As stated above, the Authority supports Section 2 in the strongest terms possible. One point of clarification for the committee's consideration is whether the new language is intended to require a total of eighty (80) percent of the SCEF credits to low-income, moderate-income, and low-income service organizations (i.e., sixty percent "in addition" to twenty percent), or if the committee's intention is to require a total of sixty (60) percent of the SCEF credits to these group of customers. Regarding the former interpretation, PURA notes that the percentage of SCEF credits going to small businesses will have to be reduced from the current rate of twenty (20) percent authorized under the SCEF program (see, Decision dated September 15, 2021). This change would be necessary to allow the other eligible customers under subparagraph (D) to participate in the program. If the committee's intention is the latter, the Authority respectfully recommends that the committee consider **omitting** the phrase "in addition to the requirement of clause (i) of this subparagraph."(see, lines 65-66 of S.B. 176). With this omission, the Authority believes its intention is clear. As always, the Authority will ensure the effective and timely implementation of either scenario.

Last, the Authority respectfully notes that the addition of subparagraph (G) subdivision (6) of subsection (a) of Conn. Gen. Stat. § 16-244z may be unnecessary in light of the proposed changes to subparagraph (E) of that same subdivision, as at least sixty percent of the SCEF credits will accrue to customers likely to be located in environmental justice communities.

Section 3

Section 3 of S.B. 176 increases the SCEF program cap from twenty-five (25) MW to thirty-five (35) MW. The Authority observes that this expansion will allow for greater benefits provided to low-income and moderate-income customers through this program. Further, Section 3 also allows for any unused MW credits to roll over from year-to-year. The Authority notes that unused project funding under the successor programs, Low and Zero Emission Renewable Energy Credit (LREC/ZREC), similarly rolled over from year-to-year; thus, this change would be consistent with previous practices and policies.

Section 4

Section 4 of S.B. 176, among other changes, would allow for the entirety of a commercial or industrial customer's roof space to be used for zero emission renewable energy generation under the NRES program. The Authority strongly supports this specific change. Siting renewable energy generation in Connecticut is a delicate balance between environmental protections, commercial concerns, and the ability and cost of interconnecting with the grid. Optimizing the use of available land for project siting is not only prudent to avoid many of the other legitimate siting concerns of the State, but could help lower the average price of projects selected through the NRES program due to economies of scale not available to developers whom may be currently limited by a customer's load while unused rooftop space remains.

Additional Considerations

Sixty Percent of State Median Income

As currently written, Conn. Gen. Stat. §16-244z uses either eighty (80) percent of area median income or sixty (60) percent of area median income to determine the threshold for low-income customers and affordable housing, respectively. Unfortunately, the state's investor-owned electric utilities – the administrators of the relevant programs under this statute (i.e., RRES and SCEF) – have indicated that they do not track customer data using these metrics. To the best of our knowledge, neither the electric utilities nor the Department of Social Services (DSS) have the ability to easily identify which residents meet the existing sixty (60) and eighty (80) percent of area median income eligibility requirements. However, as customers that fall at or below sixty (60) percent of state median income are eligible to apply for the Connecticut Energy Assistance Program (CEAP), both the electric utilities and DSS have experience with identifying customers that meet this income threshold (see, CEAP Program Website). Further, as shown in analysis presented in PURA Docket No. 17-12-03RE01, significant overlap exists between customers at or below eighty percent of area median income and customers at or below sixty percent of state median income. The Authority has approved a system for identifying customers eligible under the eighty (80) percent of area median income requirement for the SCEF program; however, it is PURA's understanding that such system will incur additional costs to ratepayers that would be avoided if the statute is modified to align the eligibility requirements with CEAP instead (see, Docket No. 19-07-01RE01). In addition, aligning income eligibility definitions across programs will enable clear, consistent messaging to potential program participants and create opportunities to cross-promote the benefits of program participation.

As such, the Authority respectfully requests that the committee consider striking all references to either eighty (80) percent of area median income or sixty (60) percent of area median income, in favor of "**sixty percent of state median income**." Further, to ensure alignment of eligibility between the RRES and SCEF programs, the Authority recommends for the committee's consideration the following **bolded,**

underlined language amending subparagraph (B) of subdivision (7) of subsection (a) of Conn. Gen. Stat. §16-244z:

Conn. Gen. Stat. § 16-244z(a)(7)(B):

(B) "Low-income customer" means an in-state retail end user of an electric distribution company (i) whose income does not exceed [eighty] **sixty** per cent of the [area] **state** median income as defined by the United States Department of Housing and Urban Development, adjusted for family size, or (ii) that is an affordable housing facility as defined [in section 8-39a] **and authorized for use by the authority in the renewable energy program established for residential customers pursuant to subsection (b) of this section**;

NRES Tariff Options

The current requirement that both "a tariff for the purchase of all energy and renewable energy certificates on a cents-per-kilowatt-hour basis" (i.e. Buy-All Tariff) and "a tariff for the purchase of any energy produced by a facility and not consumed in a period…" (i.e. Netting Tariff) presents difficulties in implementing the NRES program as well as the potential for sub-optimal economic outcomes. As a competitive solicitation, there are fundamentally two solicitation design options for allowing project developers to choose between the two tariffs offerings.

The first solicitation design would split the program MW cap between the Buy-All Tariff and the Netting Tariff. The purpose of a competitive solicitation is to ensure that the lowest priced projects are selected for deployment. However, this solicitation design presents several potential issues that may inhibit its ability to select the lowest priced projects: (1) more, lower cost projects may request one tariff option over another; (2) fewer projects applying to one tariff option over the other diminishes competitive forces and may allow developers to bid higher prices. The second solicitation design creates a methodology for comparing Buy-All Tariff and Netting Tariff bids. While the creation of a comparison methodology will likely help select lower priced projects over the first solicitation design, no comparison methodology will ever be able to replicate a true one-to-one comparison, likely resulting in some minimal, sub-optimal economic outcomes. Further, while the second solicitation design likely results in better economic outcomes, it increases, to some degree, the administrative burden of the NRES program and the complexity experienced by project developers.

Ultimately, the Authority believes that the current NRES solicitation design is sufficient to ensure the cost-effective deployment of up to sixty (60) MW of eligible low and zero emission projects per year. However, providing PURA with the added flexibility of exploring the application of only one tariff structure to certain project categories may help to better ensure optimal economic outcomes and a simplified program design for customers. As such, the Authority respectfully submits the following **bolded, underlined** language, which could be added to Section 1 of S.B. 176, for consideration:

(3) **The Public Utilities Regulatory Authority may direct the electric distribution companies to provide a** [A] customer that is eligible pursuant to subparagraph (A) or (B) of subdivision (2) of this subsection [may elect in any such solicitation to utilize] either (A) a tariff for the purchase of all energy and renewable energy certificates on a cents-per-kilowatt-hour basis, or (B) a tariff for the purchase of any energy produced by a facility and not consumed in the period of time established by the authority pursuant to subparagraph (B) of subdivision (1) of this subsection and all renewable energy certificates generated by such facility on a cents-per-kilowatt-hour basis**, or a choice of both**.

VNM "Customer's Own Premise" Requirement

Finally, the Authority has heard from several municipalities and project developers that the current statutory requirement for projects to be sited on a "customer's own premise" (i.e., the customer must own the premise) represents a barrier to the deployment of virtual net metering (VNM) projects under the NRES program, as VNM projects often lease the land on which projects are developed. The Authority understands and appreciates that the existing language may be purposeful to avoid the development of VNM projects in municipalities that would not benefit from the project. Should the committee wish to take this topic under consideration, the Authority respectfully submits the following **bolded, underlined** language, which could be added to Section 4 of S.B. 176 (new language), for consideration:

(NEW)(h) Notwithstanding subparagraphs (A) and (B) of subdivision (2) of subsection (a) of this section, eligible state, municipal, and agricultural projects need not be located on a customer's own premise for such projects to be eligible, unless otherwise determined by the authority. Such municipal and agricultural projects must still be located within the municipality of the host customer account.

Summary of Requested Action

PURA supports S.B. 176 as it offers impactful technical changes to Conn. Gen. Stat. §16-244z, which would lower existing barriers to the deployment of clean energy facilities in Connecticut. PURA respectfully provides several recommended additional technical modifications to the bill language for the committee's consideration, including:

- Raising the SCEF project cap from four (4) to five (5) MW (see, Section 1, lines 25-32);
- Omitting the phrase "in addition to the requirement of clause (i) of this subparagraph." (see, Section 2, lines 65-66);
- Considering whether the addition of subparagraph (G) subdivision (6) of subsection (a) of Conn. Gen. Stat. § 16-244z may be unnecessary in light of the proposed changes to subparagraph (E) of that same subdivision (see, Section 2, lines 73-76);
- Modifying Conn. Gen. Stat. § 16-244z(a)(7)(B) to align the eligibility requirements with CEAP and other programs by defining eligibility as **sixty percent of state median income**;
- Modifying Conn. Gen. Stat. § 16-244z(a)(3) so that PURA may elect to offer *either* a Netting Tariff or a Buy-All tariff for the NRES program to better optimize economic outcomes; and
- Adding a new section to clarify that eligible state, municipal, and agricultural projects can be sited on leased land and still participate in the successor program to VNM.

PURA believes that each of the recommended technical modifications described in this testimony would help further the committee's objectives of lowering barriers to entry for renewable energy projects and/or will ensure better ratepayer outcomes.

Thank you for the opportunity to present testimony on this proposal. If you should require any additional information, please contact Taren O'Connor at 860-827-2689(o), 860-999-3498(c) or by email at: taren.oconnor@ct.gov.